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USTR RELEASES 1999 INVENTORY OF TRADE BARRIERS

The Office of the U.S. Trade Representative today released the fourteenth annual U.S. report on foreign trade barriers, *The 1999 National Trade Estimate Report on Foreign Trade Barriers* (NTE), surveying significant foreign barriers to U.S. exports.

"Our goal is the creation of an open and fair world economy which will allow American working people, farm and ranch families, and businesses to find opportunity and prosper," said United States Trade Representative Charlene Barshefsky. "Since 1993, we have gone a long way toward the goal; but as this report shows, we still have a great deal of work ahead."

The NTE report is a comprehensive list of unfair trade practices and barriers to American exports of goods, services and farm products. It covers 54 major trading partners in each region of the world, and reveals policies restricting exports of goods and services, deficiencies in intellectual property protection, investment barriers and other topics. (Highlights of the sections covering our six largest trade partners are below.) The NTE also notes many examples where our trading partners have reduced or eliminated trade barriers described in earlier NTE reports.

This report serves as a source of information for Americans interested in trade policy, and as a foundation for the U.S. Trade Representative's efforts to reduce and eliminate unfair trade practices worldwide through negotiation of agreements and action to enforce agreements.

Since 1993, the Clinton Administration has negotiated over 275 trade agreements, designed to create growth and job opportunities in the United States and support worldwide economic growth and prosperity by reducing and ultimately eliminating such practices. In the same period, USTR has taken enforcement action against these practices on more than 90 occasions, including filing of 44 complaints at the WTO since its creation in 1995, more than any other WTO member.

"We have come a long way since the release of the first National Trade Estimate in 1985, said Ambassador Charlene Barshefsky. "As we prepare to host the Third WTO Ministerial Conference this November and begin a new round of international trade negotiations, my hope is that this year's NTE report will help all Americans interested in trade to work together to develop a strategy that meets our country's needs in a new century."

Highlights of the 1999 NTE Report

Canada: Canada, our single largest trading partner, has been opened to a significant degree by the U.S. - Canada Free Trade Agreement and the North America Free Trade Agreement. For example, Canada imposes no duties on U.S. goods with the exception of certain agricultural items subject to supply management. U.S. exports to Canada have increased 55 percent since the NAFTA was enacted. Nevertheless, impediments to U.S. goods and services remain. These include certain aspects of the Canadian agriculture regime such as the Canadian Wheat Board, Canada's policy toward so-called "cultural" industries (magazine publishing, and broadcasting), and failure to provide adequate copyright and patent protection.

China: China's interlocking and pernicious market access barriers with respect to goods, services, and agriculture are a serious concern. China's tariffs remain high, particularly when compared to those of other major participants in the global trading system, and restrictive licensing, investment, and distribution practices make it difficult for exporters to penetrate Chinese wholesale and consumer markets. In agriculture, China's barriers to imports of U.S. citrus, meat, and Pacific Northwest wheat are a very serious concern -- sanitary and phytosanitary (SPS) measures serve as hidden barriers in these and nearly all other areas. Investment and distribution licensing restrictions make it virtually impossible for services exporters, from telecommunications to financial services, to participate in China's market. We continue to aggressively monitor and enforce bilateral agreements in textiles and intellectual property rights. We are encouraged by recent progress in implementing the new software directive to enforce anti-piracy provisions within the Chinese government. While we have seen important progress in reducing software, video, and cd-rom piracy in China, additional efforts must be undertaken to address the retailing of pirated intellectual property. We are actively engaged in negotiations toward China's accession to the World Trade Organization on commercially meaningful terms.

Europe Union: Our economic relationship with Europe remains the largest and most complex in the world. While the vast majority of our hundreds of billions of dollars in annual two-way trade and investment flows without hindrance, and many potential trade conflicts are resolved through U.S.-European discussions and negotiations, during the past year a number of trade issues continued to fester, including several highly contentious disputes. The European Union's (EU) failure to implement a WTO-consistent banana regime by the WTO-mandated date of January 1, 1999, and its probable failure to comply with the WTO rulings on beef hormones by the WTO deadline May 13, 1999 not only have hurt U.S. exports but have undermined the credibility of the WTO dispute settlement system. The EU's protectionist agriculture policies are likely to continue to cause disputes, unless addressed in upcoming multilateral trade negotiations. Other pressing trade problems with the EU have involved rule-making or standards-setting procedures, which often lack transparency and sometimes serve as protectionist measures. For example, the EU approval process for genetically modified foodstuffs appears to be unnecessarily lengthy and arbitrary; if not corrected, hundreds of millions of dollars of U.S. agricultural exports could be stopped. Likewise, the EU's regulation on aircraft "hushkits" could adversely affect U.S. aircraft sales. Significant subsidies provided to various EU industries, including aircraft, also have created trade conflicts.

Japan: The Administration continues to attach top priority to opening Japan's markets to U.S. goods and services, emphasizing the need for implementation of fiscal stimulus and reform of Japan's financial sector, as well as comprehensive deregulation and market-opening measures. The Administration has successfully concluded 35 trade agreements with Japan since 1993, including, among the most recent, the 1998 Civil Aviation agreement, which is expected to increase U.S. aviation service-related exports by $1 billion annually, and a Joint Status Report under the Enhanced

Initiative on Deregulation and Competition Policy issued in May 1998. The U.S. will continue to press Japan to implement further concrete deregulation measures in telecommunications, medical devices and pharmaceuticals, housing, financial services energy, competition policy, distribution, transparency, and other government practices under the Enhanced Initiative. The United States expects improvements in the U.S. exports of agricultural products to Japan as a result of the decision in the WTO that Japan's unfairly burdensome and non-transparent requirements on varietal testing have no scientific basis. The Administration will continue to aggressively monitor and enforce our existing trade agreements including insurance, autos and auto parts, flat glass, and government procurement including computers and construction. Further, the Administration continues to actively review any evidence of anti-competitive activity or market access barriers in the steel sector.

Korea: Korea is one of the United States' major trading partners but has been described as one of the toughest markets in the world for doing business. In response to the Asian financial crisis, the Kim Dae Jung administration has implemented structural reforms aimed at putting the Korean economy on a more open, market-oriented basis. Resistance to key trade reforms remains, however, and many issues have arisen on Korea's compliance with its international obligations. In 1999, the U.S. Government initiated WTO dispute settlement action on Korea's barriers to the import and distribution of beef, and on its failure to meet Korea's obligations under the WTO Government Procurement Agreement on airport procurement. We have also raised serious concerns about the trade-impeding effects of Korea's treatment of foreign, research-based pharmaceuticals and the consistency of this treatment with Korea's international obligations. Finally, we have long-standing concerns about the Korean government's involvement and support for the Korean steel industry. President Kim's government has stated its intention to address these concerns, and progress has been made, including through an August 1998 exchange of letters on the sale and operation of Hanbo Steel. The United States and Korea now are engaged in a results-oriented comprehensive dialogue on broader U.S. steel-related concerns. We will continue our aggressive efforts on these and other U.S.-Korea trade issues, including implementation of the Memorandum of Understanding on trade in motor vehicles signed with the United States in October of 1998.

Mexico: Our exports to Mexico are up 90 percent since the NAFTA was enacted, and the average tariff on U.S. goods entering Mexico has been reduced to approximately 2 percent from the pre-NAFTA average of over 10 percent. Despite this progress, however, we retain serious concerns in the areas of technical barriers to trade, barriers to certain agricultural goods, cross border services in telecommunications, and the enforcement of intellectual property rights.

Note: The NTE Report will be available on USTR's Website at www.ustr.gov under "reports."